



# Office of Natural Resources Revenue



## Implementation Subcommittee Report-Out

**USEITI MSG Meeting  
February 24-25, 2015**





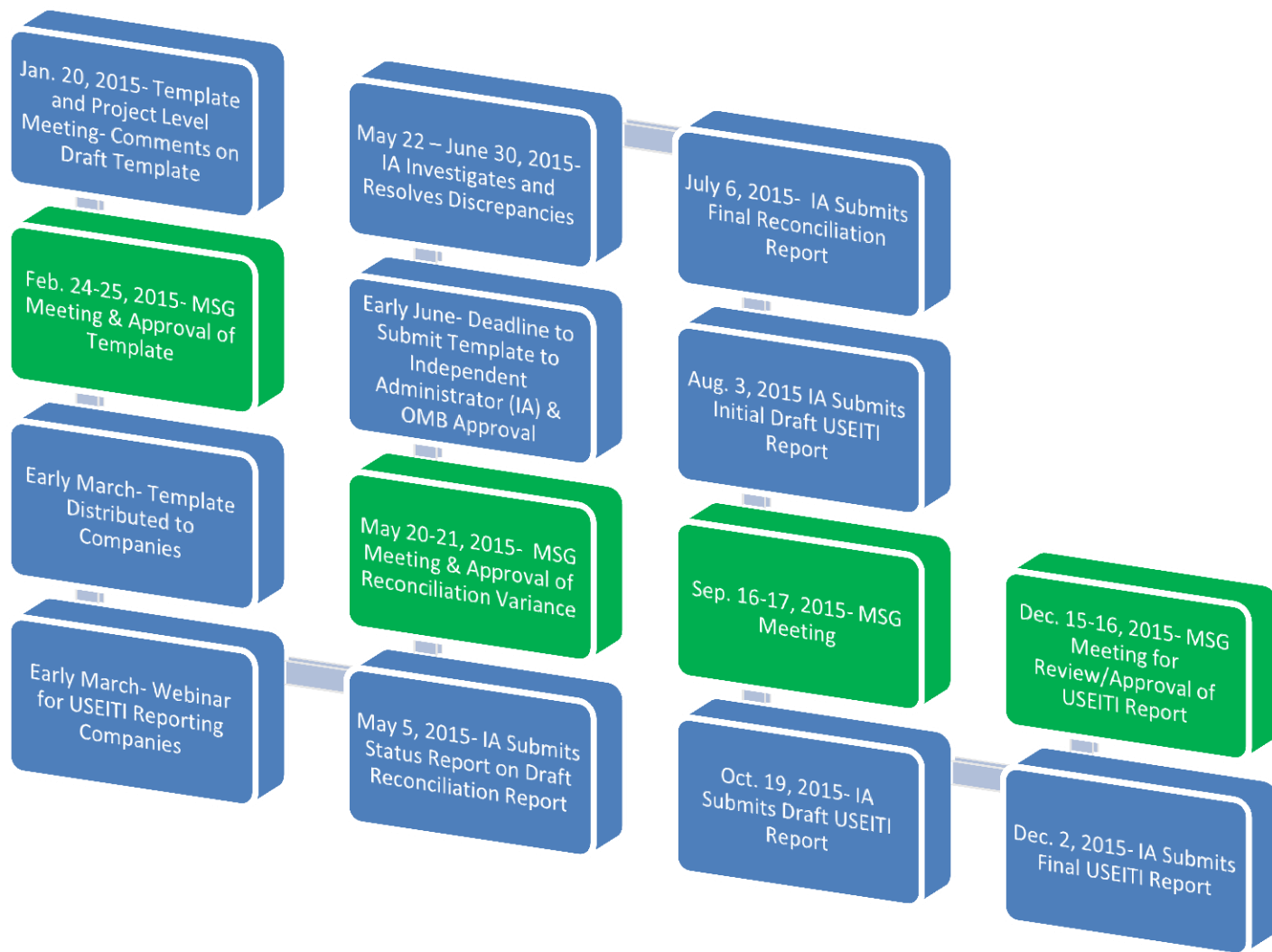
# Template and Project Level Work Group

The Template and Project Level Work Group met in Denver on January 20<sup>th</sup> to:

- Refine the Reporting Timeline
- Review Revenue Stream Components from each Bureau
- Refine the Company Reporting Template
- Develop the Webinar with the 44 Reconciling Companies
- Discuss Deloitte's Reconciliation Variance Recommendations
- Address Other Outstanding Issues



# Reporting Timeline







# Reporting Template

- We determined that the reporting template should reflect the government entity to which industry pays the revenue
- Revenue streams for reconciliation:
  - **ONRR** – Royalties, Rents, Bonuses, Other Revenues (as defined by ONRR); Offshore Inspection Fees collected on behalf of BSEE; and Civil Penalties collected for ONRR and on behalf of BSEE and BOEM
  - **BLM** – Bonus and First Year Rentals, Permit Fees, Renewables
  - **OSMRE** – AML Fees including Audits and Late Charges; and Civil Penalties including Late Charges



# Reporting Template

## Cost Recovery Fees

- The Subcommittee recommends that Cost Recovery Fees be excluded from reconciliation, but remain in the Contextual Narrative and the Unilateral Disclosure, because:
  - Companies often pay these fees using ACH, credit cards, checks, and even cash; summarizing and reporting them would be extremely difficult and time consuming
  - These fees are often paid by third party contractors
  - The associated revenues are immaterial – for the top 44 companies they make up approximately 0.05% of all revenues



# Reporting Template

## Cost Recovery Fees (continued)

- These fees will be included in the Unilateral Disclosure (Data Portal) when BOEM and BSEE data is added in December 2015, and will be highlighted in the Contextual Narrative
- Because these are the only revenues BOEM and BSEE collect, these bureaus will no longer appear on the Reporting Template or the Reconciled Report





# Reporting Template

## BLM Bonuses and First Year Rentals

- Companies make payments to BLM for bonuses and first year rentals on certain leases
- Although these revenues are transferred to ONRR for verification and disbursement, we will attribute them to BLM for the purposes of the revenue streams
- This is consistent with our decision to attribute revenues to the government entity which collected the payment



# Reporting Template

## Helium Sales

- The Subcommittee recommends that BLM Helium Sales be excluded from the reconciliation because:
  - The Federal government owns helium and stores it at the National Helium Reserve in Amarillo, Texas
  - Sales from this reserve are not related to extractive activities and instead, are similar to sales of oil from the Strategic Petroleum Reserve (SPR)
  - None of the top 44 companies purchase helium from the Reserve
- These revenues will be highlighted in the Contextual Narrative





# Reporting Template

## Helium Royalties

- BLM collects royalties on Helium when it is produced as a by-product of the natural gas stream from Federal leases; the majority of helium royalties come from one field in Wyoming
- The Subcommittee recommends that Helium Royalties be excluded from the reconciliation because:
  - The associated revenues are immaterial – for the top 44 companies they make up approximately 0.11% of all revenues
- These revenues will be highlighted in the Contextual Narrative



# Reporting Template

## Rights of Way

- The Subcommittee recommends that revenues from BLM Rights of Way be excluded from the reconciliation because:
  - The majority of these revenues are related to midstream activities or activities that are unrelated to extractive industries (for example: Rights of Way for cell phone towers)
  - The associated revenues are immaterial – for the top 44 companies they make up approximately 0.02% of all revenues
- Rights of Way revenues collected by ONRR will remain in the reconciliation and the Unilateral Disclosure (Data Portal) as part of the Other Revenues and Rent Revenue Streams
- These revenues will be highlighted in the Contextual Narrative



# Reporting Template

## Corporate Income Tax Payments

- Companies will report the sum of all corporate income tax payments/refunds (based on 13 identified IRS transaction codes) made by or on behalf of all of the companies
- Firms choosing to reconcile tax payments and refunds must send a completed IRS Form 8821 and a continuation page describing the 13 transaction codes to the Statistics of Income Division (SOI) at IRS
  - Form 8821 allows a taxpayer to authorize an individual, corporation, firm, organization, or partnership to inspect and/or receive its confidential information for the type of tax and the years listed





# Reporting Template

- We added a “Company Contact Information” section so that Deloitte, the Independent Administrator (IA), can contact the correct person for questions on company reporting
- We added a “Payor Consolidation” section so companies can include information about the various payor codes or customer names/IDs for all bureaus to which they report



# Reporting Template

- We updated the “Voluntary Disclosure” language:

All summary information provided on the reporting template shall be treated as public information. No detail information, provided to support the summary, shall be disclosed to any third party other than ONRR without the reporting entity's written consent, unless disclosure is required by law.

- We updated the “Management Sign Off” language to avoid required approval from the Board of Directors or similar level:

I acknowledge for and on behalf of the companies listed that the completed reporting form is a complete and accurate record to the best of my knowledge.



# Reporting Guidelines

- We developed Reporting Guidelines that describe the components of each revenue stream
- Deloitte has incorporated these guidelines into a document that will accompany the Reporting Template
- Deloitte will begin outreach with the 44 reconciling companies in mid-February after the Petroleum Accountants Society of Oklahoma (PASO) meeting where many of the company contacts will be verified
- The Reporting Guidelines will guide discussions at the Webinar with the 44 Reconciling Companies





# Webinar with the 44 Reconciling Companies

- We will hold two webinars with the 44 reconciling companies, covering:
  - USEITI Background
  - Reconciliation Process and Timeline
  - Reporting Template and Reporting Guidelines
- Participants will include:
  - Bureau Subject Matter Experts
  - Deloitte
  - Representatives from the 44 Reconciling Companies
  - Interested Industry, Civil Society, and Government Sector representatives from the MSG



# Webinar with the 44 Reconciling Companies

- The first webinar will be held in Houston on Tuesday, March 10<sup>th</sup> (tentative); over half of the top 44 companies are located in Houston
- The second webinar will be held in Denver on Wednesday, March 18<sup>th</sup> (tentative)
- ONRR will publish an online training video that will cover all of the webinar materials and frequently asked questions





# Reconciliation Variance

- Deloitte presented options for a reconciliation variance, the presentation included:

## Size Considerations:

- Absolute Dollars
- Percentages
- Hybrid Approach

## Application Considerations:

- At a Company Level
- At a Bureau Level
- At a Revenue Stream Level

- More discussions will be held at the next MSG meeting with a final decision required at the May MSG meeting





# Subcommittee Recommendations

## ONRR Revenues from Direct Billing Activity

- ONRR is changing the way it categorizes revenues from direct billing activity
- Currently, ONRR categorizes these revenues based on when they were billed; going forward, ONRR will categorize these revenues based on when they were paid
- ONRR will work with 18F to update the Unilateral Disclosure on the Data Portal by March 2015



# Contextual Narrative Items

## Items Handed off to the Contextual Data Working Group

- Cost Recovery Fees
- Helium Sales
- Helium Royalties
- Rights of Way